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The Honorable Ike N. Skelton
Chairman
Committee on Armed Services
House of Representatives

The Honorable Solomon P. Ortiz
Chairman
Readiness Subcommittee
Committee on Armed Services
House of Representatives

Subject: *Defense Logistics: Army Has Not Fully Planned or Budgeted for the Reconstitution of Its Afloat Prepositioned Stocks*

At various stages throughout the current operations in Iraq and Afghanistan, the Army has withdrawn equipment from its stored, or prepositioned, stock sets around the world, as well as from its afloat stocks, thus depleting a large portion of its prepositioned stocks.¹ The Army prepositions equipment at diverse strategic locations in order to field combat-ready forces in days rather than the weeks it would take if equipment had to be moved from the United States to the location of the conflict. The Army Prepositioned Stocks (APS) program supports the National Military Strategy and is an important part of the Department of Defense's (DOD) overall strategic mobility framework. The APS program depends on prepositioned unit sets of equipment and sustainment stocks to enable troops to deploy rapidly and train with prepositioned equipment before beginning combat operations. As we testified in January 2007 and March 2006, however, sustained continuing operations have taken a toll on the condition and readiness of military equipment, and the Army faces a number of ongoing and long-term challenges that will affect both the timing and cost of equipment repair and replacement, particularly to its prepositioned stocks.²

Over the past several years, GAO and other audit agencies have reported on numerous long-standing problems facing DOD's and the Army's prepositioning

¹The Army prepositions stocks primarily at land sites in Europe, Northeast Asia, Southwest Asia, and aboard ships afloat near Guam and Diego Garcia. During the initial stages of Operation Iraqi Freedom, the Army primarily used prepositioned stocks afloat (APS-3) and from Southwest Asia (APS-5).

²GAO, *Defense Logistics: Preliminary Observations on the Army's Implementation of Its Equipment Reset Strategies*, GAO-07-439T (Washington, D.C.: Jan. 31, 2007), and *Defense Logistics: Preliminary Observations on Equipment Reset Challenges and Issues for the Army and Marine Corps*, GAO-06-604T (Washington, D.C.: Mar. 30, 2006).

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programs, including a lack of centralized operational direction; unreliable reporting on the maintenance condition of equipment; equipment excesses at some prepositioned locations; and systemic problems with requirements determination and inventory management. In September 2005, we recommended that DOD develop a coordinated departmentwide plan and joint doctrine for the department's prepositioning programs.³ In February 2007, we reported that while the Army expected to finalize its implementation plan for prepositioning stocks⁴ by December 31, 2006, DOD would not complete its departmentwide strategy before mid-April 2007.⁵ We recommended that the Secretary of Defense direct the Secretary of the Army to take steps to synchronize the Army's prepositioning strategy with the DOD-wide strategy, to ensure that future investments made for the Army's prepositioning program would align with the anticipated DOD-wide prepositioning strategy. In addition, the John Warner National Defense Authorization Act for Fiscal Year 2007⁶ required the department to establish a departmentwide prepositioning strategic policy by April 2007.

The 2007 Authorization Act⁷ also directs the Secretary of Defense to take necessary steps to ensure that financial resources are provided to reconstitute equipment and materiel in prepositioned stocks in accordance with the requirements under the *APS Strategy 2012* or subsequent strategy. Additionally, the act directs the Secretary to include in the budget justification materials a clear and detailed description of the amounts requested for reconstitution of equipment and materiel in prepositioned stocks. The National Defense Authorization Act for Fiscal Year 2008⁸ directs DOD to submit an annual report on the status of materiel in the prepositioned stocks, including the department's timeline and funding requirements for reconstituting shortfalls in prepositioned stocks. The act also directs DOD to report on any operations plans affected by any shortfall in the prepositioned stocks and any action taken to mitigate any risk that a shortfall may create.

The APS program encompasses three categories of stocks stored at land sites and aboard prepositioning ships: combat brigade sets,⁹ war reserve sustainment stocks,¹⁰ and operational project stocks.¹¹ APS equipment sets are referred to according to numerical designations of 1 through 5, corresponding to their locations. The Army has primarily depended on two APS sets for operations in Iraq and Afghanistan—

³GAO, *Defense Logistics: Better Management and Oversight of Prepositioning Programs Needed to Reduce Risk and Improve Future Programs*, GAO-05-427 (Washington, D.C.: Sept. 6, 2005).

⁴The revised *Army Prepositioned Stock (APS) Strategy 2013* superseded *Army Prepositioned Stock (APS) Strategy 2012*.

⁵GAO, *Defense Logistics: Improved Oversight and Increased Coordination Needed to Ensure Viability of the Army's Prepositioning Strategy*, GAO-07-144 (Washington, D.C.: Feb. 15, 2007).

⁶Pub. L. No. 109-364, §351 (2006). See also 10 U.S.C. §2229 and the accompanying note.

⁷Pub. L. No. 109-364, §323 (2006).

⁸The National Defense Authorization Act for Fiscal Year 2008, Pub. Law No. 110-181, § 352 (2008), was passed as we prepared to issue this report.

⁹Combat brigade sets are designed to support 3,000 to 5,000 soldiers and include heavy weaponry such as tanks, support equipment such as trucks, and spare parts to support the early stages of a conflict.

¹⁰War reserve sustainment stocks include items to sustain the battle until stocks can be resupplied and war reserve secondary items such as rations, clothing, medical supplies, and repair parts.

¹¹Operational project stocks include authorized materiel above unit authorizations designed to support Army operations and contingencies and equipment and supplies for Special Forces operations and mortuary operations, among others.

APS-3, which is equipment prepositioned on ships, or “afloat”; and APS-5, which is the equipment prepositioned in Southwest Asia. APS-5 has been depleted and reconstituted several times over during the course of these operations. In December 2006, the Army decided to remove equipment and supplies from its APS-3 prepositioned sets stored on ships in order to accelerate the creation of two additional brigade combat teams¹² by April 2008.¹³ Army officials determined that using equipment from other APS sets, such as APS-4 and APS-5, to satisfy these equipment requirements was not a viable option because of the risks involved in Northeast Asia and ongoing operations in Southwest Asia. Some members of Congress have expressed concerns, however, about the potential effect of the Army’s decision to deplete the equipment stocks from these ships and the risk that DOD may be unprepared for a conflict elsewhere in the world. Prepositioned stocks are critical enablers to DOD’s military strategy, and they help ensure that the military has materiel and equipment available for rapid deployment should future conflicts erupt.

At the request of the Chairman, House Committee on Armed Services, and the Chairman, Subcommittee on Readiness, House Committee on Armed Services, we have reviewed the above issues. For this report, our objectives were to identify (1) the Army’s strategy for reconstituting the prepositioned equipment sets worldwide, and how this strategy fits into broader DOD-wide strategies; and (2) the extent to which the Army’s APS reconstitution strategy is reflected in current defense budget requests and cost estimates for restoring the prepositioned equipment sets to a posture that fully supports DOD’s strategy for future employment. On August 14, 2007, we briefed your offices on our preliminary observations. Subsequent to this briefing we obtained additional information from the Army and DOD regarding the Army’s prepositioning strategy and the status of the DOD-wide strategy. This report updates and summarizes the information discussed in that briefing. You also asked us to identify (1) what factors the Army and DOD considered in deciding to remove the Army’s prepositioned equipment sets afloat to accelerate the creation of two additional brigade combat teams; and (2) DOD’s and the Army’s process for analyzing and mitigating risks in the event that another conflict occurs elsewhere. These two additional objectives will be addressed in a separate classified report.

Our audit work focused on the Army’s strategy for reconstituting the prepositioned equipment sets worldwide and how this strategy fits into broader DOD-wide strategies; and the extent to which this strategy is reflected in current defense budget estimates and cost estimates for restoring prepositioned equipment. To identify the Army’s strategy and determine how this strategy fits into broader DOD-wide strategies, we interviewed officials from key DOD and Army organizations, including the Office of the Under Secretary of Defense, Logistics and Materiel Readiness Program Support; Office of the Under Secretary of Defense, Acquisition, Technology, and Logistics; the Army Materiel Command; the Army Office of Program, Analysis, and Evaluation; Office of Army Deputy Chief of Staff, Logistics; and the Office of

¹²Brigade combat teams are combat maneuver brigades that will have a common organizational design and are intended to increase the rotational pool of ready units. Modular combat brigades have one of three designs—heavy brigade, infantry brigade, or Stryker brigade.

¹³The April 2008 deployment date is based on the Army’s overall rotation schedule for moving units in and out of Iraq.

Army Deputy Chief of Staff, Force Development. To determine how the Army's strategy is reflected in current defense budget estimates and cost estimates for restoring prepositioned equipment, we reviewed cost estimates and fiscal year 2007 and fiscal year 2008 budget requests provided by the Army Budget Office, and we discussed how reconstitution strategies are reflected in future budget requests with officials from the Army Office of Program, Analysis, and Evaluation; Office of Army Deputy Chief of Staff, Logistics; and Office of Army Deputy Chief of Staff, Force Development. We conducted this performance audit from March 2007 through February 2008 in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

Findings

Army officials stated that its worldwide APS equipment sets, including APS-3, would be reconstituted in synchronization with the Army's overall equipping priorities when properly funded and in accordance with the official Army worldwide APS reconstitution strategy known as *Army Prepositioned Strategy 2015 (APS Strategy 2015)*.¹⁴ According to DOD officials, the Army's equipping priorities will be based on evolving conditions and operations such as the availability of equipment and duration of operations in Iraq and Afghanistan, for example. As of December 2007, the Army had not established its overall equipping priorities. Additionally, the Army's APS reconstitution strategy is not correlated with a DOD-wide APS strategy, because, according to DOD officials, a DOD-wide prepositioning strategy does not exist. DOD officials explained that the services are responsible for equipping strategies and that the Joint Staff, consistent with current policy, conducts assessments of the services' prepositioned programs to determine their relationship within the DOD-wide strategic context. DOD officials do not believe additional synchronization of strategies is required. According to DOD, the War Reserve Materiel Policy¹⁵ provides ample policy guidance on war reserve materiel requirements and war reserve materiel positioning while the allocation process is outlined in the Joint Strategic Capability Plan.¹⁶ DOD officials believe publication of the War Reserve Materiel Policy and Joint Strategic Capability Plan satisfies the congressionally mandated requirement contained in the John Warner National Defense Authorization Act for Fiscal Year 2007.¹⁷ Nonetheless, as we recommended in our September 2005¹⁸ and February 2007 reports,¹⁹ a DOD-wide strategy would set direction and a shared foundation for the services' prepositioning programs. Synchronizing a DOD-wide

¹⁴In November 2007, the Army leadership approved *APS Strategy 2015* which superseded *APS Strategy 2013*. *APS Strategy 2015* is similar to *APS Strategy 2013* but also includes a Light Infantry Battalion and some Motorized Augmentation Sets.

¹⁵DoDD 3110.6, War Reserve Materiel Policy (Nov. 9, 2000).

¹⁶The Joint Strategic Capability Plan apportions resources to the combatant commanders. It covers a 2-year period and provides strategic guidance to the combatant commanders, Joint Chiefs of Staff members, and heads of defense agencies and departments. This is a classified document, which we were unable to review.

¹⁷Pub. L. No. 109-364, §351 (2006). See also 10 U.S.C. §2229 and the accompanying note.

¹⁸GAO-05-427.

¹⁹GAO-07-144.

strategy with the Army's prepositioning strategy would ensure that future investments made for the Army's prepositioning program would align with the anticipated DOD-wide strategy. Without a DOD-wide prepositioning strategy, DOD risks inconsistencies between the Army's and the other services' prepositioning strategies, which may result in duplication of efforts and resources. We continue to believe a DOD-wide strategy is needed in addition to broad strategic guidance.

We could not determine the extent to which the Army's APS reconstitution strategy is reflected in current defense budget requests and cost estimates for restoring the prepositioned equipment sets to a posture that fully supports DOD's strategy for future employment because Army officials could not provide a breakdown of the \$3.3 billion cost estimate to reconstitute APS-3 requested in the fiscal year 2007 supplemental budget. Army officials also stated that full implementation of *APS Strategy 2013*²⁰ would total somewhere between \$10.6 billion and \$12.8 billion throughout the 2008 Program Objective Memorandum (POM), which includes requests for 5 years beyond the current fiscal year 2008 budget request. The fiscal year 2008 POM estimates include about \$3.6 billion for procurement; \$4.2 billion for operations and support; and \$2.8 billion for war reserve secondary items. Army officials stated that the fiscal year 2008 POM does not include requests for APS reconstitution costs, but that the fiscal year 2010 POM will likely include a request for APS reconstitution. According to Army officials, the fiscal year 2007 supplemental APS budget funded the removal of equipment from APS-3. However, the Army's fiscal year 2008 budget requests for the care and maintenance of this equipment were not adjusted to reflect the fact that the equipment was no longer included in the prepositioned set. Furthermore, future budget requests for reconstitution of the APS equipment sets are difficult to distinguish because they may also include funding for other equipment-related budget requests, including Army modularity,²¹ modernization,²² and equipment reset,²³ or requests to fill equipment shortages. According to Army officials, the Army programming and budget process does not treat APS funding as a discrete entity. Funds are often moved into and out of APS operation and maintenance accounts depending on Army funding priorities. Because operation and maintenance funds are fungible, the Army can move funds to respond to changes in readiness and operational environments. Army officials stated that separating APS requirements from other requirements in budget requests is complicated, and they do not plan to track APS execution separately. In addition, under the Army Force Generation (ARFORGEN) model,²⁴ once the equipment from APS-3 has been removed from the ships, the equipment becomes part of the Army's reset and training pool.²⁵ Equipment within this pool will be reset and, accordingly, funded with reset funding. Without clearly identifying APS reconstitution requirements, however, the Army cannot ensure that it can provide sufficient funding,

²⁰Updated budget requests for *APS Strategy 2015* were not available because the budget requests were still under review when the new strategy was approved.

²¹Modularity costs are defined as the increased costs of equipment due to changing authorizations associated with standardization of units to the modular configuration.

²²Modernization encompasses replacing older systems with more capable systems.

²³Reset is the cost to replace, recapitalize, and repair equipment in order to restore units to a level of combat capability required for future missions.

²⁴The ARFORGEN model is designed to generate trained and ready forces to meet global demands.

²⁵Under ARFORGEN, units proceed through three pools of unit readiness: (1) reset and train; (2) ready; and (3) available.

and Congress cannot be assured it has the visibility it needs for its decision-making process.

We are not making any recommendations at this time as DOD has not yet implemented the recommendation from our September 2005 report²⁶ to develop a coordinated departmentwide plan and joint doctrine for the department's prepositioning programs. While DOD partially concurred with our prior recommendation to develop a coordinated DOD-wide plan, it had not done so as of December 21, 2007. We continue to believe our recommendation has merit and that DOD should develop a departmentwide prepositioning plan.

Agency Comments

While DOD did not provide any overall reactions to a draft of this report, they did provide written technical comments. We have incorporated those comments throughout the report as appropriate.

We are sending copies of this report to the appropriate congressional committees, the Secretary of Defense, and the Secretary of the Army. We will also make copies available to others upon request. In addition, this report will be available at no charge on the GAO Web site at <http://www.gao.gov>.

If you or your staff has questions, please contact me at (202) 512-8365 or solisw@gao.gov. Contact points for our Offices of Congressional Relations and Public Affairs may be found on the last page of this report. GAO staff who made major contributions to this report are listed in enclosure I.

A handwritten signature in black ink, appearing to read 'W. Solis', with a long horizontal flourish extending to the right.

William M. Solis, Director
Defense Capabilities and Management

²⁶GAO-05-427.

Enclosure I: GAO Contact and Staff Acknowledgments

GAO Contact William M. Solis, (202)512-8365 or solisw@gao.gov

Acknowledgments In addition to the contact named above, David A. Schmitt, Assistant Director; Donna M. Rogers; Christopher Turner; and Cheryl Weissman made key contributions to this report.

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